

AGN. NO.

MOTION BY SUPERVISOR MARK RIDLEY-THOMAS

APRIL 19, 2011

Implications of State Assembly Bill 448 (Ammiano)

Under Proposition 13, approved by the voters in June 1978, properties in California are typically assessed for tax purposes only when a change of ownership occurs. Unless a property is sold, increases in the assessed value are limited to a 2% annual inflation factor. When properties are sold, they are reassessed at 1% of the sales price.

According to current State law, a change in ownership is not triggered unless ownership or control of 50% or more of a corporation or other legal entity is transferred to any single person or legal entity. While this determination is easily made with residential properties, it can be very difficult to identify changes in ownership following complex corporate mergers and acquisitions. Large corporations are frequently able to avoid property tax increases when ownership is transferred to multiple parties where no single entity acquires more than 50% of the asset. In fact, reports have shown that since the passage of Proposition 13, almost every county in California has experienced

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MOTION

MOLINA _____

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an increase in the share of property tax borne by residential property owners while the share of property tax borne by nonresidential property owners has decreased.

To address this loophole, AB 448 would specify that when 100% of the ownership interests in a corporation or other legal entity are sold or transferred in a single transaction, the real property owned by that legal entity has changed ownership regardless of whether any one person or legal entity has acquired more than 50% of the ownership interests. The bill would also require the State Board of Equalization to notify assessors when a change in ownership has occurred. If approved, this bill could have significant implications for the County of Los Angeles' (County) operations and revenue.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Instruct the CEO to work with the Assessor, the Treasurer and Tax Collector, the Registrar-Recorder/County Clerk, and the Auditor-Controller, and report back to the Board within 2 weeks with an analysis of the potential impact of passage and failure of AB 448 on the County operations and budget. This analysis should include:

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- a) The potential impact on the assessment, refund, property transfer and tax collection functions in the Departments of the Assessor, Treasurer and Tax Collector, Registrar-Recorder/County Clerk, and Auditor-Controller;
- b) An evaluation of potential cost increases as a result of additional responsibilities including amounts reimbursable to the County for performing any additional responsibilities; and
- c) An evaluation of potential revenue changes as a result of increased tax collections and/or other associated fees.

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